

CHAPTER 22

NATIONAL DEFENSE STOCKPILE TRANSACTION FUND2201 GENERAL

220101. Purpose. To prescribe the policies and procedures, certain special accounting requirements, and those unique subsidiary accounts to the DoD standard general ledger accounts, to be used in accounting and reporting for the National Defense Stockpile Transaction Fund.

220102. Scope. The accounting requirements, policies and procedures detailed in applicable volumes and chapters of this regulation, and in following sections and paragraphs are mandatory in accounting for, and accomplishing the information and reporting requirements applicable to the National Defense Stockpile Transaction Fund. Only accounting requirements and procedures for transactions particular to this fund are included in this chapter.

220103. Description. The National Defense Stockpile Transaction Fund is a continuing fund dedicated to financing the National Defense Stockpile operations. While it has some aspects of a revolving fund, it is not strictly such a fund as resources are received from diverse sources including direct appropriations, transfers from other appropriations, transfers of physical assets, and disposal proceeds. However, disposal proceeds are not dedicated to or specifically intended to provide for acquisition of additional stockpile material. Criteria and directions are in the National Defense Stockpile Act, Executive Orders, and various legislative enactments through amendments of the Stockpile Act or Appropriation Acts. The fund has been assigned Treasury account symbol, 97X4555.

2202 ACCOUNTING POLICY

220201. Basic Policies and Concepts. Accounting for the National Defense Stockpile Transaction Fund will be in accordance with accounting standards for Federal Government accounting as published by the General Accounting Office (GAO), special requirements of this chapter, the DoD standard general, and any other provisions applicable to accounting, paying, disbursing, and financial reporting as provided elsewhere in the DoD Financial Management Regulation.

220202. Responsibilities. Headquarters Defense Finance and Accounting Service (DFAS-HQ) will establish accounting requirements and procedures for the National Defense Stockpile Transaction Fund. All transactions obligating funds of the National Defense Stockpile Transaction Fund will be initiated by the Defense National Stockpile Center (DNSC). Inventory accounting for the National Defense Stockpile Transaction Fund is performed by the DNSC. Financial and general ledger accounting for the National Defense Stockpile Transaction Fund will

be performed by the designated DFAS Center, Operating Location, or Accounting and Finance Office (currently DFAS-CO/S). External accounting reports of the National Defense Stockpile Transaction Fund are prepared by the DFAS - Indianapolis Center, Departmental Accounting (DFAS-IN/AAR). Accounting reports and additional supporting supplemental financial information is provided by DFAS to the DNSC for preparation of the Department of Defense, "Strategic and Critical Materials Report to the President and Congress."

2203 ACCOUNTING REQUIREMENTS AND PROCEDURES

220301. General. Accounting systems and records for the National Defense Stockpile Transaction Fund will be based on the DoD standard general ledger chart of accounts.

220302. General Ledger Accounts. Because of some unique transactions used in National Defense Stockpile material acquisitions and sales, some special accounts subsidiary to several standard general ledger primary accounts are used. When information is required because of necessity for separate identification and inclusion in financial statements, it is needed for combining with other account in the several financial statements, or visibility is necessary for preparation of notes to the financial statements, subsidiary accounts having two positions beyond the four position primary account number will be used. Two position subsidiary accounts are included in the DoD Standard General Ledger chart of accounts, and are included in trial balances submitted for report preparation. The special subsidiary general ledger accounts prescribed for certain unique accounting requirements, or the unique use of a general ledger account for transactions of the National Defense Stockpile Transaction Fund are included in the discussion of each particular accounting area. Descriptions of accounts and transactions are generally only presented at the primary account level.

220303. Inventory Accounting. The financial inventory balance of the National Defense Stockpile is maintained on a laid-in cost basis, and shown in general ledger account 1570, Stockpile Materials, and as classified in several subsidiaries to that account, and which transaction entries are made. Subsidiary accounts used for the National Defense Stockpile inventory are:

1571.01	Stockpile Materials Held in Reserve-National Defense Stockpile-Strategic and Critical Materials
1571.02	Stockpile Materials Held in Reserve-National Defense Stockpile-Custodial Transfer or Pending Survey
1571.03	Stockpile Materials Held in Reserve-National Defense Stockpile-In Process Government Facility
1571.04	Stockpile Materials Held in Reserve-National Defense Stockpile-In Process Contractor Facility

1572.01 Stockpile Materials Held for Sale-National Defense Stockpile-Strategic and Critical Materials

The Master Inventory Record maintained by the DNSC supports the value of inventory as shown in these accounts. The DNSC and DFAS are jointly responsible for reconciling the inventory records.

220304. Material Acquisition. All intended acquisitions of material for the National Defense Stockpile are proposed in the Annual Materials Plan that is subject to approval by Congress and the subsequent authorization of funding. Funding authorization may be in the form of new appropriations, an authorization to spend from the available balance of the Transaction Fund, or from sales proceeds from authorized disposals. Material purchase contracts are recorded as obligations against the current year acquisition program on the date of the contract. When material is received it is recorded in the Master Inventory Record and the general ledger inventory account, accounts payable and a decrease in undelivered orders. Any other costs, such as initial testing, increases the cost of the material for inventory valuation. Each month the Master Inventory Record must be reconciled to the general ledger inventory account.

220305. Material Upgrade. Also included in the Annual Material Plan is the program for upgrading existing material of the National Defense Stockpile. This work is accomplished by contracts for the value of the upgrading services. These amounts are obligated against the current year program. When material is delivered to the contractor for upgrading it is transferred on the records from the stockpile inventory to material in the hands of a contractor, account 1571.04. When upgraded material is returned, a new unit cost is determined by adding the upgrading costs to the original inventory value. The amount of the upgrading cost and original cost of the material are transferred to the on hand stockpile inventory account from the material in the hands of a contractor account.

220306. Material Disposals. Various materials in the National Defense Stockpile may become obsolete or excess to current stockpiling needs. The National Defense Stockpile Act authorizes the disposal of such material. These materials can be disposed of when included in the Annual Material Plan and authorized in the budget program for the Transaction Fund. Material disposals are accounted for as sales and the original cost value of the material removed from inventory and recorded as cost of sales.

220307. Exchange Transactions. Materials can also be disposed of by offering like material as payment in kind or other material in exchange as settlement of amounts due for material upgraded or acquired. These are accounted for as exchange disposals and the original cost of the material is removed from inventory and recorded as cost of exchange disposals. Exchange settlements liquidate an obligation for material upgrade and acquisition as would payment in cash, and is accounted for through the budgetary accounts to effect the liquidation of the original contractual obligation in the accounting records.

220308. High Value Material. Disposal sales of high value and marketable commodities are offered on a bid auction or negotiated basis. Bid deposits received are held as advances until returned or recorded to sales proceeds upon delivery of material to successful buyers. Bid deposits are held and applied to the final release of material.

220309. Billing and Collection. All sales and disposals are billed shortly after the sales agreement is made or as of the scheduled time for delivery or pickup of the material. The purchaser of the material is allowed a specified number of days in which the material is to be picked up after which time storage charges are assessed. Any such storage charges are additional billings to the purchaser. When material is disposed of by exchange settlements, credits earned for material received and accepted by DNSC are used as payment for material shipped. Additional billings for delayed pickup of material are also applicable to the exchange settlement disposals. Disposal sale collections are received by the DNSC, and deposited to a local banking facility and the SF 1131, Collection Voucher, and confirmed deposit, is sent to the DFAS Accounting and Finance Office (currently DFAS-CO/S) for recording in the accounting records and financial reporting.

220310. Inventory Adjustments. Inventory adjustments are made whenever there is evidence that an adjustment is required. Such instances include periodic count or measurement of countable or measurable material, movement of material, and complete disposal of material from a storage location. All adjustments are documented and approved before recording in the master inventory record and general ledger inventory account. Depending on the nature and size of the adjustment, approval is granted by the head of the DNSC, delegated inventory officials, or board of survey.

220311. U.S. Treasury Silver Program. In previous years the U.S. Treasury provided \$180 million of silver for the stockpile. At that time the silver had a cost basis of \$1.29+ per oz. The purchase cost to the stockpile for the silver was recorded as a customer advance against an unfilled customer order. Some of this silver is being resold to the U.S. Treasury for minting in commemorative coin programs. The sales price is the world market price at the time the coins are sold by the U.S. Treasury. Deducted from these sales proceeds is the original cost basis of the silver. At the time silver is allocated to the coinage program, the silver is removed from the stockpile inventory at its original cost basis and recorded as consigned to the Treasury. General ledger account 1415, Advances to Government Agencies and Funds, is used for this consignment advance. When the report of coinage consumption is received from the Treasury with payment at the market price, the consignment amount is charged to cost of disposal sales. Total proceeds of the sale are recorded as disposal sales, and the amount of the cost basis of the silver is charged against the U.S. Treasury advance and customer order amount.

2204 RESEARCH GRANTS

220401. General. Appropriations made into the National Defense Stockpile Transaction Fund are for the award of grants to universities, colleges, and research institutions.

Included in the appropriation act is the designated recipient of the grant. The Administrator, DNSC, is the grant administering official.

220402. Grant Accounting. Grant funds appropriated to the Transaction Fund are apportioned to DoD/DLA and allotted by DLA-FO to the DNSC. Grant awards are processed by DNSC and funds are obligated by the Notice of Financial Assistance Award and SF 424, Application for Federal Assistance. Grant funds periodically disbursed are based on requests by the grant recipient and approval by the grant administrator. Disbursed funds are recorded in the accounting records as accrued expenditures, and obligation liquidations, in the budgetary accounts, and as costs and expenditures against the grant appropriated funds in the proprietary accounts.

ACCOUNT NO. 1570	
STOCKPILE MATERIALS	
DESCRIPTION: Summary account. Represents the sum of all subsidiary accounts in the 1570 series.	
DEBIT	CREDIT
<p>This account is a summary account</p> <p>Do not post to this account</p>	
NORMAL BALANCE: DEBIT	
FIGURE 22-1	

ACCOUNT NO. 1571	
STOCKPILE MATERIALS HELD IN RESERVE	
DESCRIPTION: The value of strategic and critical materials held due to statutory requirements or for use in national defense, conservation or national emergencies.	
DEBIT	CREDIT
1. Value of material received and accepted from contractors. Contra: 2113. 2. Value of upgraded material received and accepted from contractors Contra: 2113 3. Amount additional costs associated with acquiring or upgrading material, such as transportation in and testing. Contra: 2113 4. Material received by transfer from other Federal Agencies. Contra: 3220 5. Upward adjustment of inventory for physical count increases. Contra: 7191	1. Inventory value of material disposed of through sales to the public. Contra: 6500 2. Inventory value of material disposed of through sales to other agencies or units of government. Contra: 6500 3. Inventory value of material designated for future sale. Contra: 1572 4. Inventory value of material transferred for use of other agencies or units of government without reimbursement. Contra: 6500 5. Downward adjustment of inventory for physical loss or shrinkage. Contra: 7291
NORMAL BALANCE: DEBIT	
FIGURE 22-2	

ACCOUNT NO. 1572	
STOCKPILE MATERIALS HELD FOR SALE	
DESCRIPTION: The value of strategic and critical materials held due to statutory requirements or for use in national defense, conservation, or national emergencies that are authorized to be sold.	
DEBIT	CREDIT
1. Inventory value of material designated for future sale. Contra: 1571	1. Inventory value of material disposed of through sale. Contra: 6500 2. Inventory value of material returned to the stockpile reserve inventory. Contra: 1571
NORMAL BALANCE: DEBIT	
FIGURE 22-3	

ACCOUNT NO. 1415	
ADVANCES TO GOVERNMENT AGENCIES AND FUNDS - CONSIGNED SILVER	
DESCRIPTION: Inventory value of silver consigned to the Treasury for use in coinage.	
DEBIT	CREDIT
1. Inventory value of silver allocated to the Treasury for a designated coinage program. Contra: 1571	1. Inventory value of silver reported as consumed by the Treasury for coinage. Contra: 6500
NORMAL BALANCE: DEBIT	
FIGURE 22-4	

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